

Message Text

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ACTION EB-04

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INFO AMEMBASSY LONDON IMMEDIATE

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AMEMBASSY PARIS

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LIMDIS

GREENBACK

FROM COOPER

DEPT PASS TREAS FOR WIDMAN

LONDON PASS AMMERMAN FOR SIMON AND BENNETT

E.O. 11652: GDS

TAGS: EFIN, OECD

SUBJECT: AD HOC WORKING PARTY ON SOLIDARITY FUND

REF: OECD PARIS 2036

L. AD HOC GROUP MADE SOME TECHNICAL PROGRESS BUT
DID NOT RESOLVE CERTAIN MAJOR ISSUES.

2. ISSUE OF WHETHER FRG WILL AGREE TO
PARTICIPATE IN DIRECT LENDING STILL OPEN. GERMANS
STILL INSISTING THAT FOR CONSTITUTIONAL REASONS THEY
CANNOT BE REQUIRED TO PUT UP FUNDS FROM THE BUDGET.
GERMANS THEREFORE WISH TO BE ASSURED THAT THEY CAN
PROVIDE THESE FUNDS THROUGH BORROWING BY THE
SOLIDARITY FUND UNDER THE GERMAN GUARANTEE ALONE OR
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THROUGH BORROWING BY THE BIS, IN ITS OWN NAME, WITH

A GERMAN GUARANTEE. DESPITE NUMEROUS TELEPHONE CALLS TO BONN AND TO BASEL, BIS WAS UNABLE TO AGREE TO BORROW IN ITS OWN NAME ON BEHALF OF GERMANS AND BIS STAFF, RECOMMENDING AGAINST THIS PROPOSAL TO ITS MANAGEMENT.

3. OTHER HALF OF ISSUE WITH FRG WAS RESOLVED. IT WAS AGREED THAT THE FUND WOULD OPERATE WITH TWO SYSTEMS OF FINANCING: (1) DIRECT FINANCING BY GOVERNMENTS AND (2) BORROWING UNDER THE JOINT AND SEVERAL GUARANTEE OF ALL MEMBERS. IT WAS ALSO AGREED THAT THE DECISION ON METHOD OF FINANCING WOULD BE PART OF THE DECISION ON THE LOAN ITSELF.

4. TWO MAJOR ISSUES AROSE WITH JAPANESE. JAPANESE DELEGATE PROPOSED ON INSTRUCTIONS THAT NAME BE CHANGED FROM "SOLIDARITY FUND" TO "INTERNATIONAL SUPPORT ARRANGEMENT". HE ARGUED THAT FORMER NAME WAS POLITICALLY DIFFICULT AND MIGHT LEAD TO DEFEAT OF PROPOSAL BEFORE JAPANESE DIET. JAPANESE RECEIVED SOME SUPPORT FROM GERMANS AND ONE OR TWO OTHERS. QUESTION WAS LEFT OPEN. JAPANESE ALSO OBJECTED TO ANY PROVISION IN AGREEMENT ITSELF FOR INCREASE IN FUNDING. GENERAL AGREEMENT AMONG ALL OTHER COUNTRIES THAT THIS DESIRABLE. SECRETARIAT REPHRASING PREVIOUS INADEQUATE PROVISION COVERING THIS.

5. NEXT WORKING GROUP MEETING CALLED FOR AFTERNOON OF FEBRUARY 13 - 15. LAWYERS GROUP TO MEET BEGINNING FEBRUARY 17 TO DRAFT TEXT OF LEGAL AGREEMENT. FINAL MEETING OF WORKING GROUP TENTATIVELY SCHEDULED FOR FEBRUARY 24. DOUBTFUL WHETHER WORK CAN BE COMPLETED IN TIME TO PERMIT OECD COUNCIL DECISION BEFORE MID-MARCH, THOUGH CONCEIVABLY SCHEDULE COULD BE MOVED IF THERE IS QUICK RESOLUTION OF GERMAN PROBLEM.

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